

Statement of David Yao, clerk craft postal employee and local APWU officer

Regarding RM2017-3, Statutory Review of the System for Regulating Rates and Classes for  
Market Dominant Products

I am submitting my comments to the PRC as a private individual. As background, I am a thirty-year clerk craft postal employee and a local officer in the American Postal Workers Union.

The Postal Service has, on numerous occasions, commented on the inadequacy of the PAEA's pricing model to sufficiently fund postal operations. Most recently for example, Postmaster General and Chief Executive Officer Megan Brennan, in her February 7, 2017 statement to the House Oversight and Government Reform Committee, testified that "The PAEA did not establish a business model with sufficient flexibility to enable us to effectively respond to ongoing volume declines" (p. 8).

Specifically, Brennan cites the Universal Service Obligation (and increasing numbers of delivery points), legally mandated costs, and the price cap (pp. 8-9). Of particular importance, she notes that the statutory price cap "applies to the mail products that generate 74 percent of total revenue" (p. 9).

I would like to comment on the effects of inadequate revenue on the service, efficiency, and other aspects of postal operations. Cost control measures have negatively impacted the Postal Service in a number of ways. Brennan's statement presents consolidation of mail processing facilities, delivery route consolidations, reductions in retail hours, and reductions in number of employees and work hours as cost control measures in the ten year period 2006-2016.

As a postal employee in a delivery and retail unit, and as a steward covering multiple offices in the Seattle and other installations since the passage of the PAEA, I have witnessed many situations where insufficient staffing has hindered the efficiency of postal operations,

contrary to Objective 1 of the PAEA. Budgetary restrictions have also hindered the postal service's ability to “maintain high quality service standards” (Objective 3) and even “to enhance mail security and deter terrorism” (Objective 7).

The reduction in jobs and work hours has led to understaffing as a chronic problem in the delivery and retail units I have observed.

For example, a shortage of carriers in many delivery units means that the remaining ones often work over ten, or over twelve hours in a single work day. This is a costly practice, triggering overtime at twice the hourly pay rate (for career carriers), but also hampering the efficiency of those carriers by inducing chronic fatigue and injuries from overwork. In addition, carriers delivering parts of other routes they are not familiar cannot work at the same speed, and the “delivery after dark” phenomenon that occurs in winter in Seattle and, per news reports, in other cities, is a less efficient and less safe practice.

When there is a shortage of distribution clerks in a delivery unit, the entire delivery operation is impacted, if carriers are forced to wait for mail sorting to be completed before they can leave the building to deliver mail. On numerous times, as a union steward, I have been summoned because supervisors or carriers are doing clerk work sorting the mail. Usually I will hear that management felt they had no choice, given that there were insufficient clerks available to perform the work in a timely manner.

In the above situations, there are often clerk or carrier positions assigned to do the work, but not enough bodies to fill those jobs. Staffing is so lean that any extended absence, such as for illness, can have a major impact on a unit, as those possibilities do not seem to be accounted for in assigning a number to the employee complement. Work is not completed in a timely manner, especially tasks for which there are not metrics visible outside the facility.

In addition, cost pressures and understaffing have combined to make the entry level non-career jobs less desirable, both because of low pay and benefits, and demanding workload. The OIG has reported “In FY 2015, non-career employee turnover cost the Postal Service about \$95.1 million to hire and onboard replacements” (HR-AR-17-002, December 20, 2016).

Regarding Objective 3, “maintain high quality service standards”, the consolidation of mail processing operations has undermined such standards, particularly regarding the elimination of overnight first-class mail delivery. Such delivery is well within the capabilities of the Postal Service, but the recent worsening of service standards, occurring under cost pressure, is not justified, particularly in light of the September 2, 2106 OIG audit report (Mail Processing and Transportation Operational Changes NO-16-AR-009), which stated:

\ “In addition to service issues, the Postal Service did not achieve projected savings associated with the OWC. Management could provide support for achieving only 10 percent of the projected annual OWC savings presented to the Postal Regulatory Commission in 2011 of over \$805.5 million.”

Specifically, in regard to Objective 7, “to enhance mail security and deter terrorism”, I will cite the Seattle Installation, which has handled increased volumes of market-dominant classes of mail after the consolidation of mail processing operations from former plants in Olympia, Washington, and Everett, Washington.

After the anthrax attacks in 2001, which claimed five lives, including two postal employees at the Brentwood facility, postal management agreed to install Biohazard Detection Systems (BDS) in all mail processing operations. Postal management agreed to require all suitable stamped collection mail to be run on the AFCS machinery equipped with the BDS.

However, mail processing operations during the peak season cannot handle the huge

volumes on the AFCS, and employees in retail units have been instructed to tray up stamped letter mail to send to the Seattle processing plant, where it will be run on old mark 4 cancellation machines, bypassing entirely the Biohazard Detection Systems. This diversion can be attributed to the reduction in mail processing capacity caused by the consolidation of mail processing plants, caused in turn by severe cost control measures forced by the PAEA.

The Postal service is clearly financially constrained to adequately respond to rapidly rising parcel volume. Smaller delivery units are facing physical space constraints, as there often is not room to stage dozens of pallets or containers of mail waiting to be sorted without interfering with the efficiency of the operation in moving that mail around. Technological upgrades are needed to improve the sorting and delivery operations, as the volume increase has been a qualitative as well as quantitative one. There are insufficient large-capacity delivery vehicles to handle delivery needs if volume keeps expanding.

The Seattle Times has reported that Amazon controls 46% of the online market, and that the Postal Service delivers 62% of all Amazon parcels (<http://www.seattletimes.com/business/amazon/holiday-packages-hitting-record-level-as-carriers-scramble-to-keep-up/> and <http://www.seattletimes.com/business/amazon/amazon-getting-bigger-slice-of-holiday-online-spending-pie-data-suggests/>). Yet, constraints on the postal budget, particularly the price cap, limit necessary infrastructure maintenance and technology upgrades.

Clearly, the PAEA business model, particularly the price cap, needs to be changed.

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